

DRAFT

Washington State Tax Structure Study

**Committee Meeting Minutes
February 8, 2002**

Committee members present: John Beck
Lisa Brown
Neil Bruce
Dick Conway
Bill Gates, Sr.
Lily Kahng
Jim McIntire
Hugh Spitzer

Committee members absent: Jack Cairnes
Debbe Sanders
Gary Strannigan

Welcome, Approval of Minutes

Bill Gates, Sr. welcomed the Committee members.

The minutes of the January 11, 2002, meeting were approved as submitted by the staff.

Bill stated that the Alternatives Subcommittee had met. The principal discussion at that meeting was a different approach to the business and occupation (B&O) tax in which there would be a payment of tax by each successive layer somewhat like a value-added system. Each subsequent layer in the distributing chain would take a credit for taxes paid at the lower levels. This would eliminate the pyramiding effect of the present B&O tax. There will be more discussion on this idea.

Reference Materials

Sue Meldazy of the Department of Revenue reviewed the meeting handouts. Committee members were given copies of the Washington Competitiveness Council Final Report.

Table of Contents

A draft Table of Contents for the Committee's final report was presented. Bill Gates, Sr. stated that this draft was developed as a way to show how the final report might be organized. It is a work in progress and the Committee would welcome comments from any interested party including the public via e-mail.

After some discussion the following items were added to the Table of Contents:

- Rate Changes under Section III - Evaluation of Tax Alternatives.
- Earmarking Taxes under Section V - Recommendations on Special issues.
- Rainy Day Fund under Section V - Recommendations on Special issues.

Advisory Group Input

Nicole Stewart of the Department of Revenue presented a handout with recent comments from the Advisory Group. Nicole stated that there were three types of comments: general requests for clarification, suggested additions to existing questions, and comments that provided further background on issues of specific interest to various groups. After each Committee meeting, presentations and handouts will be sent to the Advisory Group for their comments.

Presentations on Tax Principles

Lorrie Brown of the Department of Revenue gave a presentation on elasticity and stability. Her presentation was followed by presentations on the adequacy of state revenues by Wolfgang Opitz and Irv Lefberg of the Office of Financial Management and on the adequacy of local revenues by Mary Welsh and Don Gutmann of the Department of Revenue.

Wrap Up

Will Rice of the Department of Revenue stated that the presentations and the draft Table of Contents would be shared with the Advisory Group, and they would be asked for their comments and feedback.

The next meeting of the Washington State Tax Structure Study Committee will be held on Friday, March 8, 2002, from 10:30 a.m. to 2:30 p.m. at the Phoenix Inn in Olympia.